



## BCE Inc. or Telus Corporation for 2017?

### Description

Canadian income investors and retirees need a steady supply of income, and the telecoms are a great choice for those who seek safety, a high yield, and steady growth over the long term. Don't simply buy the telecom with the highest yield or the lowest price-to-earnings multiple. These defensive stocks have been going out of favour lately, so it might be a good time to start picking up shares of a high-quality telecom while they're unpopular.

Take your time and do your homework to find the one that will give you the largest amount of dividend growth and capital appreciation over the next decade. **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) are two great high-yielding telecom stocks that many investors have a hard time deciding between.

### The case for BCE

BCE currently yields a bountiful 5% and trades at a 17.36 price-to-earnings and has a 3.8 price-to-book multiple. The company has been steadily increasing its dividend over the last decade, but these dividend raises have been rather small in recent years with the most recent dividend raise being a meager 5%.

I don't know about you, but I'm greedy when it comes to dividend raises. I want to see raises north of 10%, but with BCE, it's probably out of the cards for the next few years because the company really is growing slowly. Revenue growth is unimpressive, and it's quite possible that we've seen the company reach peak subscribers. And **Shaw Corporation Inc.**'s Freedom Mobile is starting to look like a real threat with its new and improved wireless network.

The recent MTS acquisition should provide a boost to cash flow, but don't expect anything extraordinary when dividend-hike time comes around.

### The case for Telus

Telus currently yields a generous 4.5% and trades at a 20.72 price-to-earnings and has a 3 price-to-book multiple, both of which are in line with the company's five-year historical average multiples of 17.4

and 2.8, respectively. The stock has been flat for over two years now, but the company has rewarded shareholders with larger dividend raises than BCE during this time frame.

Telus is growing organically at a much faster rate than BCE, and because of this, higher dividend raises can be expected each year over the next decade.

Telus also has superior customer satisfaction, which I believe is a trait that many investors overlook. Higher customer satisfaction means that Telus will be able to retain more of its wireless subscribers once Freedom Mobile comes to prey on the Big Three incumbents' subscriber bases.

### **Takeaway**

Sure, Telus looks more expensive with a lower dividend yield, but I believe it's a much better choice. It has the superior dividend-growth outlook and a far better customer service division, which will allow the company to maintain and grow its subscriber base for many years to come. In my mind, that's worth way more than the extra 0.5% yield you get with BCE.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:T (TELUS)

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